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IDAHO PUBLIC
UTILITIES COMMISSION

Attorneys for Applicant

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION
OF UNITED WATER IDAHO INC. FOR
AUTHORITY TO INCREASE ITS RATES
AND CHARGES FOR WATER SERVICE
IN THE STATE OF IDAHO

Case No. UWI-W-15-01

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF JARMILA M. CARY

MAY 2015

- 1 **Q. Please state your name and business address?**
- 2 A. Jarmila M. Cary, 8248 West Victory Road, Boise, Idaho 83709.
- 3 **Q. By whom are you employed and in what capacity?**
- 4 A. I am employed by United Water Idaho Inc. ("United Water" or "the
5 Company") in the capacity of Manager of Finance.
- 6 **Q. How long have you been employed by United Water Idaho?**
- 7 A. I have been employed by United Water Idaho since June 1997. I
8 did leave the Company from June 2008 through August 2009 for
9 personal reasons.
- 10 **Q. Briefly describe your responsibilities during your tenure.**
- 11 A. As Manager of Finance, I am involved in the Company's financial
12 planning activities, variance analysis, and operational reporting,
13 including the development and monitoring of business metrics.
14 During April 2013, accounting functions transitioned to the United
15 Water Corporate office. From January 2003 until April 2013, I was
16 in a supervisory role, as Manager of Accounting. I assisted Witness
17 Healy in formulating rate increase requests and operating expense
18 adjustments in the 2006, 2009 and 2011 general rate cases. From
19 1997 until January 2003, I was in a Senior Accountant role,
20 performing general ledger accounting, planning functions, variance
21 analysis, etc. I also prepared annual reports to the Idaho Public
22 Utilities Commission and the Idaho State Tax Commission.
- 23 **Q. What is your educational background?**

1 A. I was granted a Bachelor of Science in Business, with a major in
2 Accounting, from the University of Idaho in December 1996.

3 **Q. Before what regulatory commissions have you appeared and**
4 **presented expert testimony?**

5 A. I previously provided testimony before the Idaho Public Utilities
6 Commission in the Company's 2011 general rate case on certain
7 operating expenses, specifically: payroll, payroll related benefit
8 expenses and deferred debit amortizations.

9 **Q. In connection with the Company's present application for an**
10 **increase in rates and charges, what is the scope of your**
11 **participation and testimony?**

12 A. My participation and testimony concerns operating expenses of the
13 Company. I analyzed the Company's books and records,
14 determined where it was prudent to make adjustments to test year
15 results, and prepared necessary accounting exhibits to reflect the
16 adjustments.

17 **Q. Please generally describe the approach you have taken in**
18 **preparing the exhibits for operation expenses.**

19 A. I have relied on information and data produced within the
20 Company, and my own investigation thereof, as the basis for my
21 adjustments.

22 **Q. What exhibit number are you using for your adjustments?**

1 A. Operating expense adjustments are included in Exhibit 10,
2 Schedule 1. Property tax, payroll tax and franchise tax adjustments
3 are included in Exhibit 10 Schedule 3, pages 1 through 5.

4 **Q. Please describe the various normalizing and annualizing
5 adjustments, as well as known and measurable adjustments,
6 made to operating expenses.**

7 A. Adjustment No. 1 Payroll increases payroll to Operations
8 and Maintenance expense by \$170,826. Test year Operations &
9 Maintenance expense is \$4,284,203 and the pro forma amount is
10 \$4,455,029. Gross test year payroll is \$5,964,622 and pro forma
11 gross payroll is \$6,202,341. In the pro forma year, the Company
12 work force is 99 full time employees (54 Bargaining Unit and 45
13 non-bargaining) as well as three temporary summer workers.
14 During the test year, the Company had 98 full time authorized
15 positions. The Company's 2011 rate filing included 99 full time
16 employees. This adjustment reflects the April 1, 2015 actual pay
17 increase for Bargaining Unit employees, which is contractually
18 obligated. For all Bargaining Unit employees, pay rates are applied
19 to 2,080 hours worked in the pro forma year. For non-bargaining
20 employees, pay rates effective April 1, 2015 are reflected and
21 applied to 1,950 hours worked. The pro forma labor to Operations
22 & Maintenance amount is calculated using the test year ratio of
23 71.83%. The pro forma adjustment includes standby pay and shift

1 pay at pro forma pay rates for Bargaining Unit employees. Overtime
2 is included at the test year level of \$144,342, in line with the three
3 year average. Incentive bonuses for exempt and non-exempt
4 employees are based on the test year award level, adjusted to
5 current wages. Exempt employees may be eligible to participate in
6 the Company's Short Term Incentive Plan (STIP) if they meet goal
7 targets and criteria requirements. A target award, based upon their
8 job/salary grade, is established as a percentage of base pay.
9 Broadly, the incentive is based on achievement in two goal
10 categories: personal goals and Company goals. Non-exempt, non-
11 bargaining employees are eligible to participate in the Non-Exempt
12 Incentive Program. This plan is based upon meeting Safety and
13 Compliance Training goals. Bargaining Unit employees are not
14 eligible for incentive pay programs.

15 **Q. Please identify the increase in staffing from the Company's**
16 **test year level of staffing.**

17 A. The net increase of one (1) position can be accounted for by the
18 hiring of an Environmental Health & Safety Manager in April 2015.
19 Mr. Wyatt addresses the reasoning for this added position in his
20 testimony.

21 **Q. Please continue describing the remaining normalizing and**
22 **annualizing adjustments, as well as known and measurable**
23 **adjustments, made to operating expenses.**

1 A. Adjustment No. 2 Workers Compensation increases workers
2 compensation insurance by \$18,568 from the test year amount of
3 \$106,996. The pro forma amount is based upon the three year
4 average of workers compensation percentage as a ratio of gross
5 payroll. The average for the last three calendar years (2012
6 through 2014), produces a ratio of 2.024%. Applying this ratio to
7 the pro forma level of gross payroll \$6,202,341, results in pro forma
8 expense of \$125,564.

9 Adjustment No. 3 Pension Expense increases pension
10 expense by \$870,027, over the test year expense of \$887,494. The
11 Company is required to apply FAS 87 in determining book expense.
12 In Order No. 29838, UWI-W-04-04, the Commission found that it
13 was not appropriate, for the purposes of determining rate recovery,
14 to use the FAS 87 pension expense accrual. The Commission
15 determined that, for rate making purposes, cash contributed to the
16 pension plan is the appropriate level to be recovered in rates.
17 Pension cash contributions from plan year 2012 through 2014
18 average \$1,757,521. This three year average replaces the accrual
19 method in this filing. The Company is proposing raising the deferral
20 threshold of pension cash contributions to \$1,751,521 to reflect the
21 current level of cash contributions. The current threshold
22 established in Case No. UWI-W-11-02 is \$1,300,769.

1 Adjustment No. 4 PBOP increases test year pro forma
2 expense by \$76,220 for PBOP (Post Retirement Benefits Other
3 Than Pension). The test year amount is \$571,340 including the 20
4 year amortization of the transition obligation of \$40,560. The pro
5 forma level of expense represents the FAS 106 expense of
6 \$607,000 as contained in the Towers Watson actuarial valuation
7 dated April 10, 2015, plus the transition obligation amortization.
8 The total pro forma expense is \$647,560.

9 Adjustment No. 5 Employee Healthcare & Group Term Life
10 increases the cost of providing medical, dental and group term life
11 insurance coverage to employees who choose to be covered by
12 United Water benefits, by \$129,190. Vision insurance is entirely
13 funded by employees. Test year expense is \$1,257,925 and the
14 pro forma expense is \$1,387,115. The test year expense is
15 adjusted by the average annual increase in healthcare costs for the
16 period 2012 through 2014, 10.27%. Employees contribute
17 approximately 9% toward the cost of health care.

18 Adjustment No. 6 401k increases test year 401k Company
19 matching expense by \$5,849. The test year amount is \$146,676
20 and pro forma amount is \$152,525. The test year level of
21 participation as a percentage of gross payroll is 2.46%. This rate is
22 applied to the pro forma level of gross payroll of \$6,202,341.

1 Adjustment No. 7 Other Employee Benefits decreases test
2 year expense by (\$10,333) for Other Employee Benefits including
3 long term disability coverage, voluntary employee benefits
4 administrative (VEBA) costs, tuition assistance, and employee
5 service awards. The test year expense is \$67,494 and pro forma
6 amount is \$57,161. The adjustment eliminates test year medical
7 waiver benefits which are no longer provided to employees as of
8 2015.

9 Adjustment No. 8 Payroll Overheads normalizes fringe
10 benefit costs chargeable to other than Operations and Maintenance
11 expense and reduces test year O&M expense by (\$79,159). The
12 test year credit is (\$976,619) and the pro forma credit is
13 (\$1,055,778). The Company uses a fringe benefit allocation (FBA)
14 method to ensure employee benefits follow labor charges. A
15 portion of fringe benefit costs are therefore transferred off the
16 income statement to the balance sheet, primarily following labor
17 charged to capital projects. The test year relationship of capital to
18 gross payroll dollars is 28.14%. This same rate is applied to pro
19 forma benefit costs.

20 Adjustment No. 9 Purchased Water increases purchased
21 water expense by \$11,948 from the test year level of \$136,210, to a
22 pro forma level of \$148,194. This adjustment reflects an
23 incremental increase in the annual expense of purchased water

1 due to the contract leasing of 1,500 acre feet of water by United
2 Water from Boise Valley Irrigation Ditch Co. to meet water supply
3 needs. Company Witness Greaves provides an explanation of the
4 Company's leased water program in his testimony.

5 Adjustment No. 10 Energy increases the pro forma cost of
6 purchased power by \$48,082 from the test year amount of
7 \$2,380,750 to the pro forma amount of \$2,428,832. The pro forma
8 expense reflects current Idaho Power Company tariff base rates.
9 Power expense includes the proceeds realized from United Water's
10 participation in the Idaho Power demand response program
11 previously administered by EnerNOC. The Company is reducing
12 pro forma power expense by \$34,832 for an EnerNOC payment
13 received in January 2015.

14 **Q. Does the Company defer any portion of Idaho Power Company
15 billings?**

16 A. Yes, the Company follows Commission Accounting Order No.
17 28800 in Case No. UWI-W-01-02 which allowed the Company to
18 defer Idaho Power Company's PCA charges and present the
19 accumulated deferral for amortization recovery in subsequent rate
20 filings.

21 **Q Briefly, how was pro forma power expense calculated?**

22 A. I accumulated twelve months of billing determinants from every
23 facility used in the test year from Idaho Power invoices including

1 every kWh unit, demand unit, base load capacity unit, service
2 charge, facility charge, etc. United Water consumed 35,393,294
3 kWh in the test year and the same kWh and billing determinants
4 are projected for the pro forma period. These units were priced out
5 at base rates in effect on June 1, 2014 for schedules 7, 9S & 9P
6 and 19P. The Power Cost Adjustment rates reflect the proposed
7 annual adjustment mechanism rates in Idaho Power Company's
8 Case No. IPC-E-15-14, tariff Schedule 55. Added to this electricity
9 expense is the test year level of generator fuel and other utility
10 costs.

11 **Q. How is power expense normalized to match Witness Herbert's**
12 **pro forma revenue adjustments?**

13 A. In Adjustment 26, the test year revenue adjustments made by
14 Witness Herbert (annualized and pro forma growth, weather and
15 other pro forma usage adjustments) result in a pro forma reduction
16 to both energy and chemical costs of \$67,579, combined.

17 **Q. Please proceed with your next adjustment.**

18 A. Adjustment No. 11 Chemicals decreases test year chemical
19 expense of \$288,316 by (\$5,509), to a pro forma expense of
20 \$282,807. Treatment chemicals are utilized in the water treatment
21 process to disinfect or otherwise make water safe to consume or
22 improve water aesthetically. Test year quantities for each chemical

1 agent were totaled and priced out at the most recent actual invoice
2 price.

3 Adjustment No. 12 Customer Billing decreases test year
4 expense for customer billing related services provided by United
5 Water M&S Company personnel by (\$26,713) from the test year
6 level of \$444,542, to the pro forma amount of \$417,829 based on a
7 three year average from 2012 through 2014.

8 Adjustment No. 13 Postage increases postage expense by
9 \$9,315 from the test year amount of \$258,461, to a pro forma
10 amount of \$267,776. The pro forma amount is based on the test
11 year invoice postage costs. Customer service representatives
12 ensure that new and late-paying customers are aware of lower cost
13 e-billing and e-pay options, in addition to this information being
14 provided to customers via the Company website, customer bill
15 insert, bill messaging, etc.

16 Adjustment No.14 Bad Debt decreases test year bad debt
17 expense by (\$37,098) from the test year level of \$234,416, to a pro
18 forma amount of \$197,318. This amount is based on a three year
19 ratio 2012 through 2014, of an adjusted bad debt expense to
20 revenue. Prior to 2013, leak and similar customer bill adjustments
21 were reflected as billing cancellations, and a revenue reduction.
22 Since 2013, due to a company-wide accounting standardization
23 effort, these adjustments are posted as increases to uncollectible

1 expense. For comparability, leak adjustments for years 2013
2 forward have been reclassified from uncollectible expense to
3 revenue for purposes of this rate filing. Adjustments to the
4 allowance for uncollectible reserves are removed from the
5 uncollectible expense calculation as they occur infrequently. Year
6 2012 uncollectible expense was adjusted to exclude a \$21,896
7 credit, due to an overpayment of Idaho Department of
8 Environmental Quality – Water Division's Safe Drinking Water fees.

9 Adjustment No. 15 Business Insurance increases test year
10 expense for business insurance, including liability and property
11 coverage of \$347,390 by \$42,457 to the pro forma amount of
12 \$389,847. A three year average 2012 through 2014 was used as a
13 representative level of expense.

14 Adjustment No. 16 Transportation increases transportation
15 expense by \$63,107 from the test year level of \$429,755, to a pro
16 forma amount of \$492,862. The Company uses a vehicle allocation
17 process to distribute transportation costs to the applicable income
18 statement or balance sheet accounts. All components of vehicle
19 costs such as lease payments, fuel, maintenance materials and
20 outside contractors, mechanic payroll and benefits, insurance, GPS
21 and others are coded to a clearing account on the Company's
22 balance sheet. On a monthly basis, these costs are cleared to
23 expense or construction costs based upon the time allocation of

1 employees assigned to vehicles. Pro forma fuel prices are \$3.00
2 per gallon for gasoline and \$3.25 per gallon for diesel. Test year
3 average prices were \$3.42 and \$4.13 per gallon, respectively. Fuel
4 consumption is projected to be 41,550 gallons of gasoline and
5 8,959 gallons of diesel fuel. Fuel prices account for a decrease in
6 costs of approximately \$57,000 in the pro forma year. Lease costs
7 are increasing in the pro forma year from \$232,768 to \$357,519, by
8 \$124,751. The increase is driven by new leases of five heavy pick-
9 up trucks in the Production Department, and three heavy pick-up
10 trucks in the Transmission & Distribution Department. Also, a new
11 dump truck and a new backhoe were also recently leased. These
12 ten vehicles alone add nearly \$135,000 to gross transportation
13 expense. As lease agreements expire vehicles are ultimately
14 disposed of, any proceeds flow back into the vehicle allocation
15 process and reduce gross costs to be allocated. The level of
16 proceeds varies from year to year. In this case, the Company has
17 utilized a three year average of 2013, 2014 & 2015 proceeds. As of
18 April of 2015, all proceeds for the disposal of vehicles in 2015 have
19 been realized in the books and records of the Company. The credit
20 for proceeds in this case is \$88,700. The proceeds in the 2011
21 general rate filing were \$6,800.

22 Adjustment No. 17 IPUC Assessment increases test year
23 IPUC Annual Assessment expense by \$5,053 from the test year

1 expense per books of \$108,435 to the pro forma level of \$113,488.
2 The pro forma amount is based on the Commissions 2015 Utility
3 Assessment rate of 0.2481% per invoice dated April 22, 2015
4 instructing United Water to make semi-annual payments in May
5 and November 2015 of \$56,744. This rate is applied to the
6 Reported Gross 2014 Interstate Operating Revenues of
7 \$45,742,657.

8 Adjustment No. 18 Rate Case Amortization increases test
9 year expense by \$20,008 for deferred rate case expense
10 amortization. The test year amount of rate case expense
11 amortization is \$64,992, related to the cost of the 2011 rate case.
12 This amortization expired in January, 2015. The Company seeks
13 recovery of the current rate case costs, estimated to be \$170,000.
14 The Company seeks a two-year recovery of this expense or
15 \$85,000 annually.

16 Adjustment No. 19 Conservation Program Amortization
17 increases test year expense by \$11,667 for Conservation Program
18 amortization over a three year period. The Company has pledged
19 to donate \$35,000 to the Boise WaterShed Environmental
20 Education Center to fund an interpretive trail to be constructed
21 through their new river campus, located at the West Boise
22 Wastewater Treatment Plant. The interpretive trail at the Boise
23 WaterShed Environmental Education Center is in addition to water-

1 wise gardens currently located at the Statehouse, Idaho Botanical
2 Gardens and the Company's offices on Victory road. These sites
3 serve to promote water conservation and water wise landscaping to
4 the Company's customers.

5 Adjustment No. 20 Relocation Amortization increases test
6 year expense of \$10,284 by \$3,841, to a pro forma level of \$14,125
7 for amortization of deferred relocation costs. In the Company's
8 prior case, UWI-W-11-02, the Company received permission to
9 amortize relocation costs for the Assistant Manager In Training
10 position over a five year period. The balance as of November 2015
11 will be \$11,998. The Company has deferred an additional \$58,629
12 for the Engineer position hired in March 2013. The Company seeks
13 recovery of the \$70,627 total cost, over a similar five-year period.

14 Adjustment No. 21 Tank Painting Amortization increases test
15 year tank painting expense of \$45,366 by \$10,402 to a pro forma
16 amount of \$55,768 (Schedule 1, Page 12). Since the 2011 case,
17 the Company has painted the Gowen tank interior for \$208,040 and
18 is requesting a twenty year amortization period, consistent with
19 recent rate case and stipulation agreements. Several tank painting
20 amortizations expired during or shortly after the test period.
21 Amortization expense has been adjusted to reflect the expirations.

22 Adjustment No. 22 Pension Amortization increases test year
23 expense by \$621,541 for the amortization of Deferred Pension. In

1 Case UWI-W-11-02, Order No. 32443, the Commission approved
2 the Settlement Stipulation agreed to by the Company and IPUC
3 staff. In the Stipulation, it was agreed that actual 2010 pension
4 plan year contributions were \$1,300,769. This amount was
5 adopted as the benchmark from which future Plan Year levels of
6 cash contributions would be compared. Plan Year payments over
7 or under the \$1,300,769 benchmark were authorized to be deferred
8 for future consideration. Actual cash contributions were \$1,763,742
9 in plan year 2011, \$1,328,478 in plan year 2012, \$2,258,721 in plan
10 year 2013, and an estimated \$1,685,364 for plan year 2014. The
11 Company has exceeded the benchmark in plan years 2011 by
12 \$462,973, 2012 \$27,709, and 2013 \$957,952. For plan year 2014,
13 in which 4 of 5 payments have been incurred as of January, 2015
14 and the fifth payment will be made in September 2015, the
15 exceedance is expected to be \$384,595. The total deferred cash
16 payment amount of \$1,833,229, plus accrued interest applied
17 through November 2015 of \$31,394, equals \$1,864,623. Amortized
18 over a three year period, the expense is \$621,541.

19 Adjustment No. 23 Power Amortization increases the test
20 year by \$62,736 for deferred power amortization expense, over the
21 test year amount of \$183,444. The Company seeks recovery of the
22 deferred PCA (annual adjustment mechanism) approved in Case
23 UWI-W-01-02, for cost incurred since the last rate case through

1 April 2015 of \$595,475, and accumulated interest of \$37,941. The
2 pro forma period projects deferred power from May through
3 November 2015 at an additional \$101,128, with \$3,996 of interest
4 for a total pro forma deferred balance of \$738,540. The pro forma
5 PCA deferral for May through November 2015 is based on Idaho
6 Power Company's April 2015 proposed PCA filing. The total
7 deferral of \$738,540, amortized over three years, results in an
8 annual expense of \$246,180.

9 Adjustment No. 24 AFUDC Equity Gross Up Amortization
10 increases amortization of AFUDC Equity Gross Up by \$2,310, from
11 the test year level of \$39,973, to a pro forma level of \$42,283. The
12 IPUC authorized the deferral treatment of that portion of AFUDC in
13 Case No. UWI-W-04-04 Order 29838 (Page 13). Because the
14 AFUDC Gross Up continues to be calculated and deferred, the
15 amount will continue to grow. The Company's corporate regulated
16 business department recommended that deferred AFUDC Equity
17 Gross Up be amortized at a thirty-five year rate of 2.8571%
18 (0.2381% monthly) starting in October, 2010, to recognize that the
19 AFUDC Equity Gross Up is related to the underlying assets. The
20 test year balance ending 2014 is \$1,411,783 and is projected to
21 grow to \$1,479,905 for the pro forma period ending November,
22 2015.

1 Adjustment No. 25 Eliminations reduces overall test year
2 expense by (\$23,741) by eliminating certain expenditures that the
3 Commission does not consider appropriate for rate making
4 purposes. The Company has eliminated the following test year
5 expenses: \$4,293 in dues to Hillcrest Country Club, \$4,282 of
6 National Association of Water Companies dues considered
7 lobbying expense, \$7,630 of lobbying dues paid to the Idaho
8 Association of Commerce and Industry, as well as \$13,503 of
9 expenditures spent for the annual Christmas party and employee
10 retirement celebrations.

11 Adjustment No. 26 Variable Expense Volume
12 Normalization reduces test year operating expenses for Power &
13 Chemicals by (\$67,579) to coincide with the revenue reduction
14 adjustment made by Witness Paul Herbert based on his review &
15 analysis of the downward consumption trend of United Water
16 customers. The ratio of variable operating expenses (Power
17 \$2,380,750, and Chemicals \$288,316) totaling \$2,669,066 to
18 variable consumptive revenue (\$32,305,049) is 8.228%. Witness
19 Herbert makes revenue adjustments to include the annualization of
20 test year growth of \$352,321, post test year growth of \$237,871, a
21 weather & usage adjustment to consumptive revenue of
22 (\$1,411,558) for a net revenue adjustment of (\$821,367). Since this
23 consumptive revenue decline must logically impact power and

1 chemical expense, they will decrease by 8.228% of (\$821,367) or
2 (67,579).

3 **Q. Please explain Exhibit No. 10, Schedule 3, Pages 1, 2, 3 and 4.**

4 A. [Exhibit No 10, Schedule No 3, Adjustment No 1, Page 1 of 4](#)

5 Property Taxes indicates the test-year level of Ada County Property
6 Tax is \$1,810,812, the test year adjustment is an increase of
7 \$109,634, providing a pro forma expense of \$1,920,446. The pro
8 forma adjustment is based on known and measurable information
9 and a conservative estimate of the levy rate.

10 **Q. Why do you anticipate an increase?**

11 A. The Company filed its annual Operator Statement for the calendar
12 year ending December 31, 2014, with the Idaho State Tax
13 Commission (ISTC) on April 23, 2015. The Operator Statement
14 contains financial information that allows the ISTC appraiser to
15 value the Company based on the capitalization of net operating
16 income (NOI). The NOI will increase in the 2015 appraisal as
17 compared to the 2014 appraisal, by approximately \$7M. The
18 financial information in the Operator Statement also allows the
19 appraiser to calculate the cost indicator of value in a process that
20 mimics the rate base calculation used in this case. The cost
21 indicator is increasing by approximately \$2.5M. The Operator
22 Statement provides substantiation of property tax exemptions for
23 which the Company qualifies. The value of the exemptions will

1 increase by \$1.2M in 2015. The ISTC has a process for
2 determining the appropriate capitalization rate to apply to the net
3 operating income. The preliminary notice indicates a slightly higher
4 capitalization rate in 2015. At the end of the process, the ISTC
5 certifies the Company's value to Ada County for the actual
6 calculation of taxes based on approved levy rates. The Company
7 has taken a conservative approach to the applicable levy rate by
8 using the test year rate.

9 Q. Please explain Exhibit No. 10, Schedule 3, Pages 2, 3 and 4
10 Payroll Taxes

11 A. Exhibit No. 10, Schedule 3, Pages 2, 3 and 4 increases the test
12 year level of payroll taxes by \$21,246 combined. Page 2 indicates
13 an increase in FICA taxes of \$25,644. Page 3 reflects a decrease
14 of (\$38) in Federal unemployment taxes. Page 4 shows a
15 decrease of (\$4,360) in Idaho State unemployment taxes. All
16 payroll taxes have been adjusted based on information received
17 indicating statutory limits and rates in effect for 2015.

18 Q. Please explain Exhibit No. 10, Schedule 3, Page 5 Franchise
19 Tax

20 A. Exhibit No. 10, Schedule 3, Page 5 decreases the test year level of
21 franchise tax expense by \$60,000. The Company's normal practice
22 is to bill franchise fees to customers within the City of Boise and the
23 City of Eagle and pass the proceeds to the respective cities.

1 During an internal compliance review of franchise fee
2 administration, the Company discovered a billing error. The
3 Company accrued a provision for the underpayment of franchise
4 fees in the test year. The Company has reimbursed the cities for
5 the underpayment. The provision is not the responsibility of
6 customers and elimination of the expense from the test year is
7 appropriate.

8 **Q. Does this conclude your direct testimony?**

9 A. Yes.

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IN THE STATE OF IDAHO

Case No. UWI-W-15-01

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

EXHIBIT TO ACCOMPANY THE
DIRECT TESTIMONY OF JARMILA CARY

UNITED WATER IDAHO INC.
Details of Adjustments to Operating Expenses At Present Rates
SUMMARY - Exhibit 10, Schedule 1

Test Year Ending December 31, 2014

Line No.	Description	Schedule Adjustment No.	Account Reference	Test Year Ended 12/31/2014	Adjustments	Pro-Forma 4/30/2015
1	F payroll to Operations & Maintenance	Exh.10, Sch. 1	50100 to 50125	\$ 4,284,203	\$ 170,826	\$ 4,455,029
2	Workers Compensation	2	91460	\$ 106,996	\$ 18,568	\$ 125,564
3	Employee Pension Costs	3	91500	\$ 887,494	\$ 87,027	\$ 1,757,521
4	Post Retirement Health Care Accrual (PEBOP) & Amortization	4	91550 & 92056	\$ 761,340	\$ 76,220	\$ 647,560
5	Employee Group Health, Dental, Vision & Life	5	91700	\$ 1,257,925	\$ 129,190	\$ 1,387,115
6	Company Employee 401k Match	6	91800	\$ 146,676	\$ 5,849	\$ 152,525
7	Other Employee Benefits - Tuition, Service Awards, LTD, VEBA	7	91850	\$ 67,494	\$ (10,383)	\$ 57,161
8	Fringe Benefits Transferred to CWIP, etc	8	90950 90953	\$ (976,619)	\$ (79,159)	\$ (1,055,778)
9	Purchased Water	9	50605	\$ 136,210	\$ 11,984	\$ 148,194
10	Energy: Purchased Power, Natural Gas, Other Utilities	10	50610, 50620, 90300	\$ 2,380,750	\$ 48,082	\$ 2,428,832
11	Chemicals	11	50635	\$ 288,316	\$ (5,509)	\$ 282,807
12	Customer Billing	12	50405	\$ 444,542	\$ (26,713)	\$ 417,829
13	Postage	13	90450	\$ 258,461	\$ 9,315	\$ 267,776
14	Bad Debts: Write Offs & Allowance	14	90400 & 90405	\$ 224,416	\$ (37,998)	\$ 197,318
15	General Corporate & Property Insurance	15	91400 & 91450	\$ 347,390	\$ 42,457	\$ 389,847
16	Transportation Expense	16	50645	\$ 429,755	\$ 63,107	\$ 492,862
17	I/PUC Annual Assessment	17	91900	\$ 108,435	\$ 113,488	\$ 222,923
18	Amortization Expense - Deferred Rate Case	18	92000	\$ 64,992	\$ 20,008	\$ 85,000
19	Amortization Expense - Conservation Costs	19	92050	\$ -	\$ 11,667	\$ 11,667
20	Amortization Expense - Deferred Relocation	20	92052	\$ 10,284	\$ 3,841	\$ 14,125
21	Amortization Expense - Deferred Tanking Painting	21	92053	\$ 45,366	\$ 10,402	\$ 55,768
22	Amortization Expense - Deferred Pension	22	92056	\$ -	\$ 621,541	\$ 621,541
23	Amortization Expense - Deferred Power	23	92061	\$ 183,444	\$ 62,736	\$ 246,180
24	Amortization Expense - AFUDC Equity Gross Up	24	92064	\$ 39,973	\$ 2,310	\$ 42,283
25	Eliminate Expenses Not Allowed For Rate Making Purposes	25	90500, 92600	\$ 23,741	\$ (23,741)	\$ -
26	Adjustment to Variable Expenses Due to Volume Normalization	26	-	\$ (67,579)	\$ (67,579)	\$ (67,579)
27	Total Adjusted O&M		\$ 11,341,584	\$ 1,933,049	\$ 13,274,633	\$ 13,274,633
28	Unadjusted O&M:					
29	M & S Fees		90850, 90851, 90852	\$ 3,246,499	\$ 3,246,499	\$ 3,246,499
30	Other Operation and Maintenance Expense		Various	\$ 1,945,433	\$ -	\$ 1,945,433
31	Total Unadjusted O&M			\$ 5,191,932	\$ -	\$ 5,191,932
32	Total Operation and Maintenance Adjustments			\$ 16,533,516	\$ 1,933,049	\$ 18,466,565
33	Depreciation	27	70100	\$ 8,543,110	\$ 87,096	\$ 8,630,206
34	Amortization of Utility Plant Acquisition Adjustments	28	71255	\$ 9,324	\$ 10,421	\$ 19,745
35	Total Depreciation and Amortization			\$ 8,552,434	\$ 97,517	\$ 8,649,951
36	Exh.10, Sch. 3					
37	Ad Valorem Taxes	1	70200	\$ 1,810,812	\$ 109,634	\$ 1,920,446
38	Payroll Taxes	Pages 2, 3 & 4	70250, 70251, 70252, & 70253	\$ 473,152	\$ 21,246	\$ 494,398
39	Franchise Taxes	5	70350	\$ 60,000	\$ (60,000)	\$ -
41	Total Taxes Other			\$ 2,343,964	\$ 70,880	\$ 2,414,844
42	Total Operating Expenses			\$ 27,429,914	\$ 2,101,446	\$ 29,531,360

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Adjustment No. 1

Adjustment of Payroll Expense

<u>Line No.</u>	<u>Description</u>	<u>Dept. ID</u>	<u>Employee Count</u>	<u>Amount</u>	<u>Total Payroll</u>	<u>Adjustment Amount</u>
1	To adjust labor chargeable to operation and maintenance expense based upon bargaining unit, salaried and non-exempt pay rates at April 1, 2015 and levels of employees at that time.					<u>\$ 170,826</u>
2	Production	100	25	\$ 1,567,708		
3	Transmission and Distribution	113	27	\$ 1,490,904		
4	Engineering	205	10	\$ 739,714		
5	Customer Service Field	301	4	\$ 219,128		
6	Customer Service Office	304	19	\$ 660,437		
7	Meter Reading	305	5	\$ 222,581		
8	Administrative	400	4	\$ 458,577		
9	Communication	405	2	\$ 126,566		
10	Finance	530	3	\$ 228,261		
11	Subtotal Regular Pay	99		\$ 5,713,876		
12	Stand By Pay Per Bargaining Unit Contract			\$ 35,124		
13	Shift Pay Per Bargaining Unit Contract			\$ 2,457		
14	Seasonal Temporary Employees & Summer Interns			\$ 23,389		
15	Incentive Pay - Adjusted for employee & plan changes	(a)		\$ 283,152		
16	Overtime per test year			\$ 144,342		
17	Subtotal Other Pay			\$ 488,465		
18	Pro Forma Payroll @ Pro Forma Rates				<u>\$ 6,202,341</u>	
19	Test Year % Applicable to O&M Expense				<u>71.83%</u>	
20	Pro Forma O&M Payroll @ Pro Forma Rates				<u>\$ 4,455,029</u>	
21	Test Year Expense				<u>\$ 4,284,203</u>	
22	Adjustment				<u>\$ 170,826</u>	

(a) As of August 22, 2014, Bargaining Unit employees are no longer eligible to receive an award payment under the Company's Non-Exempt Union Incentive Program, Includes adjustment for newly eligible employees

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Adjustment No. 2

Workers Compensation expense

<u>Line No.</u>	<u>Description</u>	<u>Gross Payroll</u>	<u>Workers Compensation</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To adjust employee Workers Compensation expense			\$	<u>18,568</u>
2	2012	\$ 5,754,019	\$ 120,616		
3	2013	\$ 5,768,743	\$ 126,412		
4	2014	\$ 5,964,514	\$ 106,996		
5	Subtotal	\$ 17,487,276	\$ 354,024		
6	Average		2.024%		
7	2015 Proforma Gross Payroll	\$ 6,202,341			
8	Pro forma Workers Compensation expense		2.024%	\$ 125,564	
9	Test Year Expense			<u>\$ 106,996</u>	
10	Adjustment			<u>\$ 18,568</u>	

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Adjustment No. 3
Pension expense

<u>Line No.</u>	<u>Description</u>	<u>Pension Cash Contributions</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To adjust employee Pension expense based on three year average cash contribution amounts			<u>\$ 870,027</u>
2	2012	\$ 1,328,478		
3	2013	\$ 2,258,721		
4	2014	\$ 1,685,364		
5	Subtotal	\$ 5,272,563		
6	Three year average	\$ 1,757,521		
7	Pro forma Pension expense for rate purposes		\$ 1,757,521	
8	Test Year Expense		<u>\$ 887,494</u>	
9	Adjustment		<u>\$ 870,027</u>	

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Adjustment No. 4
 Post Retirement Health Care Accrual (PEBOP) & Amortization expense

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>
1	To adjust employee PEBOP (post retirement benefits other than pension) amount based on Towers Watson April 10th, projection	\$ <u>76,220</u>
2	PEBOP	\$ <u>607,000</u>
3	FAS 106 20 year amortization	\$ <u>40,560</u> #
4	Pro Forma PEBOP expense	\$ <u>647,560</u>
5	PEBOP Expense	\$ <u>530,780</u>
6	FAS 106 20 year amortization	\$ <u>40,560</u>
7	Test Year Expense	\$ <u>571,340</u>
8	Adjustment	\$ <u>76,220</u>

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Adjustment No. 5

Employee Health Care Expense and Group Term Life Insurance

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Total</u>	<u>Adjustment Amount</u>
1	To adjust employee health care expense (medical, dental & vision), and group term life insurance to pro forma costs and to the pro forma headcount of 99 employees			<u>\$ 129,189</u>
2	Gross Test Year Health Care Expense	\$ 1,572,148		
3	Employee Contributions and HSA funding offset	\$ (314,223)		
4	Net Test Year Health Care Costs			<u>\$ 1,257,925</u>
5	2012 through 2014 average Health Care cost increase		10.27%	
6	Incremental Change in Health Care	\$ 129,189		
7	Pro Forma Total Health Care Costs			<u>\$ 1,387,115</u>

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Adjustment No. 6
Company Employee 401k Match

<u>Line No.</u>	<u>Description</u>					<u>Adjustment Amount</u>
1	To adjust 401k matching for Proforma headcount of 99 employees Based on 2014 Test year amount and ratio					\$ <u>5,849</u>
2		<u>401k Expense</u>	<u>Gross Payroll</u>	<u>Ratio</u>	<u>Total 401K</u>	
2014	\$ 146,676	\$ 5,964,514	2.46%			
3	Proforma Gross Payroll	\$ 6,202,341				
4	Ratio based on 2014 Test Year			2.46%		
5	Proforma 401K				\$ 152,525	
6	Test Year Expense				\$ 146,676	
7	Adjustment				\$ <u>5,849</u>	

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Adjustment No. 7
Other Employee Benefits

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Total</u>	<u>Adjustment Amount</u>
1	To adjust other employee benefits to estimated pro forma levels			\$ <u>(10,333)</u>
2	Tuition Reimbursement	\$ 1,295		
3	Service & Retirement awards	\$ 17,045		
4	Long Term Disability Coverage	\$ 35,946		
5	VEBA - voluntary employee benefits	\$ 2,875		
6	Total Other Employee Benefits Expense	\$ 57,161		
7	Test Year Expense		\$ 67,494	
8	Adjustment	a)		<u>\$ (10,333)</u>

(a) Beginning in 2015, the Company will no longer provide Employee Incentive Opt Out.
 Test Year expense includes \$10,333 Medical Opt Out

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Adjustment No. 8

Payroll Overheads Charged to Balance Sheet Accounts

<u>Line No.</u>	<u>Description</u>	<u>Account</u>	<u>Benefits</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To normalize the fringe benefit allocation charged to non operations and maintenance accounts				<u>(79,159)</u>
	Benefit Costs				
2	Payroll Taxes	70250-70253	\$ 494,398		
3	Workers Compensation	91460	\$ 125,564		
4	Pension (Test Year)	91500	\$ 887,494		
5	PEBOP (post retirement health care)	91550/92056	\$ 647,560		
6	Group Health & Life	91700	\$ 1,387,115		
7	401K	91800	\$ 152,525		
8	Other Employee Benefits	91850	\$ 57,161		
9	Subtotal			\$ 3,751,816	
10	Percentage of Test Year non Operations & Maintenance payroll to Gross payroll applied to benefit costs			<u>28.14%</u>	
11	Pro forma fringe benefit clearing costs allocated			\$ (1,055,778)	
12	Test Year			\$ (976,619)	
13	Adjustment			\$ (79,159)	

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Adjustment No. 9
Purchased Water

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>
		<u>Total</u>
1	Adjustment of Purchased Water Cost for rented and leased natural flow rights, shares in canal company's contracts/leases for storage water and purchases from Garden City.	\$ <u>11,984</u>
	Details	
2	Shares Leased in Canals	\$ 45,460
3	Contract Storage	\$ 44,809
4	State Water Bank	\$ 595
5	Basin 63 Rental Pool	\$ 42,500
6	Additional Rental Pool	\$ 12,750
7	Garden City Water Purchase	\$ 1,580
8	New York Irrigation Canal	\$ 500
9	Pro Forma Purchased Water	\$ 148,194
10	Test Year Expense	\$ <u>136,210</u>
11	Adjustment	\$ <u>11,984</u>

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Adjustment No. 19
 Energy: Purchased Power

<u>Line No.</u>	<u>Description</u>	<u>Tariff</u>	<u>Details</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To adjust energy expense based on pricing at Idaho Power rates effective June 1, 2014, includes estimate of June 1, 2015 PCA rates, and miscellaneous other energy			\$ 48,082	
2	7		Wells & Boosters	\$ 2,747	
3	9P		Columbia Water Treatment Plant, Boise River Raw Water Pump Station	249,021	
4	9S		Wells & Boosters	1,899,536	
5	19P		Marden Treatment Plant Annual Expense	248,142	
6	Idaho Power June 1, 2014 effective rates and June 1, 2015 proposed PCA rates			\$ 2,399,446	
7	Idaho Power Pro Forma Purchased Power Expense			\$ 2,399,446	
8	Proforma - Benefit of Enernoc Demand Response Program rebate received Jan. 2015 - for 2014 year			(34,832)	
9	Test Year level of Diesel Fuel for Emergency Generators, Natural Gas & other utilities (50620)			38,396	
10	Test Year level of Other Power - Office Lights, Clinton Warehouse, Valves & Natural Gas (90300)			25,822	
11	Total Pro Forma Energy Expense			\$ 2,428,832	
12	Test Year Purchased Power Expense (50610, 50620, 90300)			\$ 2,380,750	
13	Adjustment			\$ 48,082	

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Adjustment No. 11
 Chemical Expense

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>
1	To adjust chemical expense using test year quantities priced at proforma price	\$ (5,509)
2	Water Treatment Plants & Source of Supply Chemicals	\$ 275,907
3	Maintenance Chemicals	\$ <u>6,900</u>
4	Test Year Usage at Proforma Prices	\$ 282,807
5	Test Year Expense	\$ <u>288,316</u>
6	Adjustment	\$ <u>(5,509)</u>

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Adjustment No. 12
Customer Billing Expense

<u>Line No.</u>	<u>Description</u>	<u>Year</u>	<u>Customer Billing Expense</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To normalize customer billing expense based on a three year average.				\$ (26,713)
2		2012	\$ 356,528		
3		2013	\$ 452,418		
4		2014	\$ 444,542		
5	Subtotal		\$ 1,253,488		
6	Average		\$ 417,829		
7	Pro Forma Customer Billing Expense			\$ 417,829	
8	Test Year Expense			\$ 444,542	
9	Adjustment			\$ (26,713)	

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Adjustment No. 13
Postage

<u>Line No.</u>	<u>Description</u>	<u>Details</u>	<u>Amount</u>	<u>Total</u>
1	To adjust postage expense based on invoices from test year			
2	AutoSort		\$ 60,483	
3	Office Mail, Postage, PO Box rental		\$ 4,562	
4	CC&B Postage		\$ 33,506	
5	Cash Cycle Solutions Postage & Fed Ex Carrier charges		\$ 169,224	
6	Total Pro Forma Costs			\$ 267,776
7	Test Year Expense			\$ 258,461
8	Adjustment			\$ 9,315

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Adjustment No. 14

Bad Debts: Write Offs & Allowance

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>
1	To normalize uncollectible accounts expense based on a three year average of revenues. Leak and similar billing adjustments were reflected as cancellations and offset billed revenue prior to 2013. Since 2013, these adjustment were posted to uncollectible expense. For comparability, leak adjustments and other similar billed revenue cancellations are reclassified from uncollectibles to reduce revenue for years 2013 forward. Adjustments to allowance for uncollectible reserves are removed from uncollectible expense. 2012 uncollectible amount is adjusted to remove an extraordinary \$21k IDEQ credit.	<u>\$ (37,098)</u>
2	Per Books	<u>Rate</u>
3		<u>Year</u>
4		<u>Uncollectibles</u>
5	Subtotal	<u>Revenues</u>
6	Unadjusted Percentage Uncollectible Accounts Expense	0.5619%
7	Leak and other billing adjustments	2014 \$ 234,416 2013 \$ 304,408 2012 \$ 220,451
8		<u>Revenues</u>
9	Adjustments to reserve for uncollectible expense	2014 \$ 4,429 2013 \$ 88,649
10		<u>Revenues</u>
11	Extraordinary credit for IDEQ Safe Drinking Water fee	2012 \$ (21,896)
12	Adjusted	<u>Adjusted Uncollectibles</u>
13		<u>Year</u>
14		<u>Adjusted Revenues</u>
15	Subtotal	<u>Adjusted Revenues</u>
16	Adjusted Percentage Uncollectible Accounts Expense	0.4406%
17	Proforma Revenue at existing rates	\$ 44,780,134
18	Pro Forma Uncollectible Expense	\$ 197,318
19	Test Year Expense	\$ 234,416
20	Adjustment	\$ (37,098)

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Adjustment No. 15
General Corporate Insurance

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>		
1	To adjust casualty and property insurance premiums and pooled losses allocation	\$ <u>42,457</u>		
<u>Details</u>	<u>Year</u>	<u>Casualty Insurance</u>	<u>Property Insurance</u>	<u>Total</u>
2	2012	\$ 237,799	\$ 31,096	
3	2013	\$ 529,262	\$ 23,993	
4	2014	\$ 320,301	\$ 27,089	
5	Average three years of expense	\$ 362,454	\$ 27,393	
6	Proforma Casualty Business Insurance Coverage Premiums & Allocated Losses		\$ 389,847	
7	Test Year Expense		\$ 347,390	
8	Adjustment		\$ <u>42,457</u>	

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Adjustment No. 16
Transportation Expense

Line No.	Description	Adjustment Amount
Details	Pro Forma Expense	Total
2 Lease Cost	\$ 357,519	
3 Fuel	\$ 153,767	
4 P-Card maintenance materials, outside service	\$ 88,000	
5 Mechanic payroll and benefits	\$ 66,078	
6 Insurance	\$ 41,377	
7 Depreciation	\$ 4,281	
8 GPS	\$ 13,980	
9 VA Allowance	\$ 21,517	
10 Miscellaneous Other Cost	\$ 5,815	
11 Sub Total Gross Cost	\$ 752,333	
12 Less: Proceeds (Three year average 2013 thru April 2015 Actual)		<u>\$ (88,700)</u>
13 Vehicle Allocation Gross		\$ 663,633
14 Pro Forma O&M ratio based on 2014 Test Year	74.06%	\$ 491,462
15 Plus Expense Direct to O&M		<u>\$ 1,400</u>
16 Total Pro Forma Expense		\$ 492,862
17 Test Year Expense		<u>\$ 429,755</u>
18 Adjustment		<u>\$ 63,107</u>

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Adjustment No. 17
IPUC Annual Assessment

<u>Line No.</u>	<u>Description</u>	<u>Details</u>	<u>Amount</u>	<u>Total</u>	<u>Adjustment Amount</u>
1	To adjust test year level of IPUC Annual Assessment based on latest invoice.				\$ 5,053
2	Reported Gross 2014 Interstate Operating Revenues		\$ 45,742,657		
3	IPUC Utility Assessment Rate - Based on Invoice 2015-288 dated 5/15/2015	0.2481%			
4	Pro forma IPUC Assessment			\$ 113,488	
5	Test Year Expense			\$ 108,435	
6	Adjustment			\$ 5,053	

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Adjustment No. 18
 Rate Case Expense

<u>Line No.</u>	<u>Description</u>	<u>Test Year Amount</u>	<u>Total</u>	<u>Adjustment Amount</u>
1	To amortize over two years the forecasted level of the deferred rate case expense in Case UWI-W-15-01.	\$ 20,008		
2	Estimated Deferred Rate Case Expense in UWI-W-15-01:			
3	Outside Legal Counsel: Miller & McDevitt, LLP	\$ 70,000		
4	Outside Consultant on Test Year and Pro Forma Revenue Paul Herbert, Gannett Fleming, Inc	\$ 30,000		
5	Outside Consultant Cost of Capital: Pauline Ahern, Sussex Economic Advisors, LLC	\$ 25,000		
6	Customer Notice, Public Information Campaign, Court Reporting	\$ 20,000		
7	Miscellaneous & Other Cost Including Intervenor Funding	\$ 25,000		
8	Total Estimated Rate Case Expense in UWI-W-15-01		\$ 170,000	
9	Pro forma Annual Expense Based on 24 Month Amortization Period		\$ 85,000	
10	Test Year Expense		\$ 64,992	
11	Adjustment		\$ 20,008	

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Adjustment No. 19
Conservation Program Amortization

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>
		\$ <u> </u> 11,667
		<u>Amortization Period</u>
1	Amortization of Conservation expense pursuant to Case UWI-W-09-01 Order No. 31016, which authorized amortization of Conservation Program expenses over a 3 year period.	\$ 35,000 3 Years \$ 11,667
2	Deferred Conservation	\$ 11,667
3	Pro Forma Amortization of Conservation expense	\$ -
4	Test Year Expense	\$ 11,667
5	Adjustment	\$ 11,667

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Adjustment No. 20

Deferred Relocation Amortization

<u>Line No.</u>	<u>Description</u>				<u>Adjustment Amount</u>
	Adjust Deferred Relocation expense for Senior Engineer expense and reamortize existing expense for Assistant Manager - Operations Manager over 5 years				<u>\$ 3,841</u>
		<u>Detail</u>	<u>Position</u>	<u>Amortization Period</u>	<u>Amortization</u>
1					
2	Rearmортize existing balance	Assistant Manager In Training	\$ 11,998	5 Years	\$ 2,400
3	Additional cost	Engineer	\$ 58,629	5 Years	\$ 11,726
4	Subtotal		\$ 70,627		\$ 14,125
5	Pro Forma Amortization of Deferred Auxiliary Power Expense				<u>\$ 10,284</u>
6	Test Year Expense				<u>\$ 3,841</u>
7	Adjustment				

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Adjustment No. 21

Tank Painting Expense Amortization

<u>Line No.</u>	<u>Description</u>				<u>Adjustment Amount</u>
		<u>Year Painted</u>	<u>Amortization Allowed</u>	<u>Amortization Period</u>	<u>Annual Amortization</u>
1	Amortization of Deferred Tank Painting Expense				<u>\$ 10,402</u>
2	Pro Forma Tank Painting Expense				
3	<input type="checkbox"/> Ongoing From Prior Cases				
4	Aeronica Tank	Dec-00	UWI-W-04-04	20 Years	\$ 1,055
5	Gowen Tank Exterior	Apr-01	UWI-W-04-04	20 Years	\$ 1,990
6	Federal Reservoir	Jul-06	UWI-W-06-02	20 Years	\$ 8,145
7	Crestline Tank	Dec-09	UWI-W-09-01	20 Years	\$ 3,276
8	Steelhead Tank	Dec-09	UWI-W-09-01	20 Years	\$ 15,684
9	Ustick Reservoir	Dec-09	UWI-W-09-01	20 Years	\$ 3,708
10	Hilcrest Reservoir	Apr-10	UWI-W-11-02	20 Years	\$ 11,508
11	<input type="checkbox"/> New Amort Request UWI-W-15-01				
12	Gowen Tank Interior \$20B,040 deferral	Aug-14	UWI-W-15-01	20 Years	\$ 10,402
13	Pro Forma Tank Painting Amortization Expense				\$ 55,768
14	Test Year Expense				<u>\$ 45,366</u>
11	Adjustment				<u>\$ 10,402</u>

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Adjustment No. 22
Pension Amortization

**Line
No.** **Description**

1 Adjustment to Deferred Pension based on a 3 Year amortization

Details	Year	Plan Year Contributions	Baseline as Determined in UWI-W-11-02	Deferred Pension	Deferred Interest	Total
2 Actual	2011 Pension Plan Year	\$ 1,763,742	\$ 1,300,769	\$ 462,973	\$ 12,242	
3 Actual	2012 Pension Plan Year	\$ 1,328,478	\$ 1,300,769	\$ 27,709	\$ 592	
4 Actual	2013 Pension Plan Year	\$ 2,258,721	\$ 1,300,769	\$ 957,952	\$ 5,607	
5 Actual	2014 Pension Plan Year	\$ 1,585,364	\$ 1,300,769	\$ 284,595	\$ 1,231	
6 Projected	Contribution Sept 2015	\$ 100,000		\$ 100,000	\$ 11,722	
7 Subtotal						\$ 1,864,623
8 Pro Forma Amortization of Pension Expense						\$ 621,541
9 Annual Expense Based on 36 Month Amortization Period						\$ -
10 Test Year Expense						
11 Adjustment						\$ <u>621,541</u>

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Details of Adjustments to Operations and Maintenance Expense
Test Year ending December 31, 2014

Adjustment No. 23

Deferred Power Costs Amortization

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>		
		<u>Deferral Power</u>	<u>Interest</u>	<u>Total</u>
1	To adjust Amortization of Deferred Power Expense and amortize over a 3 year period.			<u>\$ 62,736</u>
2	Deferred power as of April 2015	\$ 595,475	\$ 37,941	\$ 633,416
3	Projected additional deferral through Nov. 2015	\$ 101,128	\$ 3,996	\$ 105,124
4	Subtotal	<u>\$ 696,603</u>	<u>\$ 41,937</u>	<u>\$ 738,540</u>
5	Amortization period of three years		\$ 246,180	
6	Pro Forma Deferred Power Amortization Expense			\$ 246,180
7	Test Year Expense			\$ 183,444
8	Adjustment			\$ 62,736

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Adjustment No. 24

AFUDC Equity Gross Up Amortization

<u>Line No.</u>	<u>Description</u>	<u>Details</u>	<u>Amount</u>	<u>Amortization</u>	<u>Adjustment Amount</u>
1	Adjustment of Amortization of AFUDC Equity Gross				<u>\$ 2,310</u>
2	Proforma AFUDC Equity Gross up on Balance Sheet anticipated balance at November 2015		\$ 1,479,905		
3	35 Year Composite Amortization Rate		2.8571%		
4	Pro Forma Amortization Expense		\$ 42,283		
5	Test Year Expense		<u>\$ 39,973</u>		
6	Adjustment		<u>\$ 2,310</u>		

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Details of Adjustments to Operations and Maintenance Expense
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Adjustment No. 25

Eliminate Expenses Not Allowed For Rate Making Purposes

<u>Line No.</u>	<u>Description</u>	<u>Adjustment Amount</u>
1	to eliminate from the test year certain expenses [Dues, Uncharitable Contributions, Memberships, etc.] that do not qualify for rate making treatment under past IPUC Orders.	\$ <u>(23,741)</u>
	<u>Removed from Account</u>	<u>Amount</u>
	<u>Details</u>	
2	Country Club Dues	\$ 4,293
3	Holiday Party Expenses	\$ 8,991
4	IACI Dues - Lobbying portion	\$ 763
5	NAWC Dues - Lobbying portion	\$ 4,282
6	Retirement Party Expenses	\$ 5,412
7	Adjustment	\$ <u>(23,741)</u>

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Test Year ending December 31, 2014

Adjustment No. 26

Adjustment to Variable Expenses Due to Volume Normalization

<u>Line No.</u>	<u>Description</u>	<u>Detail</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To adjust purchased power expense and chemical expense for the upward annualized growth for the test year and full year additional revenue/customers through November 2015 offset by volume normalization.			<u>\$ (67,579)</u>
2	Test Year Purchased Power Expense	\$ 2,380,750		
3	Test Year Chemical Expense	288,316		
4	Total Variable Cost Related to Volume Normalization		\$ 2,669,066	
5	Test Year Consumptive Residential Revenue	\$ 21,186,136		
6	Test Year Consumptive Commercial Revenue	11,103,898		
7	Test Year Consumptive Public Authority Revenue	150,175		
8	Test Year Variable Revenue		\$ 32,440,209	
9	Ratio of Variable Cost to Variable Revenue		8.228%	
10	Adjustment R1 Annualization of Test Year Growth	\$ 352,320		
11	Adjustment R2 Customer Growth from 12/31/2014 thru 11/30/2015	237,871		
12	Adjustment R3 Weather and other Pro Forma Usage Adjustments	(1,411,558)		
13	Total Volume Adjustment		\$ (821,367)	
14	Variable Expense associated with Volume Normalization		(67,579)	
15	Adjustment		\$ (67,579)	

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United Water Idaho
Details of Adjustments to Ad Valorem Property Taxes
Test Year ending December 31, 2014

Adjustment No. 1
 Ad Valorem Taxes

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>Adjustment Amount</u>
		<u>Total</u>	<u>109,634</u>
1	To adjust Property Tax expense to the level based on the 2014 Actual Tax Bill projected for 2015		
	<u>Details</u>		
2	United Water Idaho, Inc. Assessed Value recommended by the Idaho State Tax Commission for 2014 per letter dated June 3, 2014.	\$ 116,700,000	
3	Ada County Composite Levy Rate for 2014	1.548415049%	
4	2014 Ada County Property Tax Expense	\$ 1,807,000	
5	Irrigation District Taxes & Other	\$ 3,812	
6	Book 2014 Property Tax Expense	\$ 1,810,812	
7	2015 Estimated Assessment per ISTC Protocol	\$ 123,768,265	
8	Pro Forma Levy Rate based on test year rate	1.548415049%	
9	Pro Forma Ada County Property Tax	\$ 1,916,446	
10	Pro Forma Irrigation District Taxes & Other	\$ 4,000	
11	Pro Forma Property Tax Expense	\$ 1,920,446	
12	Adjustment	\$ 109,634	

United Water Idaho
Details of Adjustments to Payroll Taxes
Test Year ending December 31, 2014

Adjustment No. 2
Payroll Taxes
At Present Rates

<u>Line No.</u>	<u>Description</u>	<u>Detail<u>s</u></u>	<u>Social Security Amount</u>	<u>Medicare Amount</u>	<u>Combined</u>	<u>Adjustment Amount</u>
1	To adjust Employer FICA Tax Liability - Federal Insurance Contributions Act					\$ 25,644
2	FICA Base for 2015		\$ 118,500	No Limit		
3	FICA Rate for 2015		<u>6.20%</u>	<u>1.45%</u>		
4	Pro Forma Payroll		\$ 6,202,341	\$ 6,202,341		
5	Wages in Excess of FICA base		<u>\$ 171,719</u>	<u>No limit</u>		
6	Taxable Wages		\$ 6,030,622	\$ 6,202,341		
7	FICA Tax Rates		<u>6.20%</u>	<u>1.45%</u>		
8	Pro Forma FICA Tax		\$ 373,899	\$ 89,934	\$ 463,832	
9	Test Year Expense				\$ 438,189	
10	Adjustment				\$ 25,644	

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United Water Idaho
Details of Adjustments to Payroll Taxes
Test Year ending December 31, 2014
Adjustment No. 3
 Payroll Taxes
 At Present Rates

<u>Line No.</u>	<u>Description</u>	<u>Details</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To adjust Federal Unemployment Insurance Tax			\$ <u>(38)</u>
2	Federal Taxable Base limit		\$ 7,000	
3	Federal Tax Rate		0.60%	
4	Employees covered by Federal Unemployment Tax (99 Full Time @ \$7,000 limit and 3 Temps)			
5	Taxable Wages		\$ 716,389.20	
6	Tax Rate		0.60%	
7	Pro Forma Federal Unemployment Tax		\$ 4,298	
8	Test Year Expense		\$ 4,336	
9	Adjustment		\$ <u>(38)</u>	

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United Water Idaho
Details of Adjustments to Payroll Taxes
Test Year ending December 31, 2014

Adjustment No. 4
 Payroll Taxes
 At Present Rates

<u>Line No.</u>	<u>Description</u>	<u>Details</u>	<u>Amount</u>	<u>Adjustment Amount</u>
1	To adjust State Unemployment Insurance Tax			\$ <u>(4,360)</u>
2	2015 Idaho Taxable Base		\$ 36,000	
3	2015 Idaho SUTA Tax Rate for UWID		0.755%	
4	Employees covered by State Unemployment Tax (99 Regular Employees & 3 Temps)			
5	Taxable Base		\$ 3,479,074	
6	Taxable Wages		\$ 3,479,074	
7	Tax Rate		0.755%	
8	Pro Forma Idaho Unemployment Tax		\$ 26,267	
9	Test Year Expense		\$ 30,627	
10	Adjustment		\$ <u>(4,360)</u>	

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United Water Idaho
Details of Adjustments to Franchise Tax
Test Year ending December 31, 2014

Adjustment No. 5
Eliminate Franchise Tax

<u>Line No.</u>	<u>Description</u>	<u>Details</u>	<u>Amount</u>	<u>Total</u>
1	Eliminate Franchise Tax from test year expense due to an estimated provision for the underpayment of franchise fees			
2	City of Eagle		\$ 5,000	
3	City of Boise		\$ 50,000	
4	Test Year Franchise Tax Expense			\$ 60,000
5	Adjustment		\$ (60,000)	

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